

SENATE BILL REPORT

SB 6216

As Passed Senate, February 19, 2008

Title: An act relating to authorizing the governor to enter into a cigarette tax contract with the Shoalwater Bay Tribe.

Brief Description: Authorizing of the governor to enter into a cigarette tax contract with the Shoalwater Bay Tribe.

Sponsors: Senators Prentice, Sheldon and Kohl-Welles.

Brief History:

Committee Activity: Ways & Means:1/29/08, 1/31/08 [DP].
Passed Senate: 2/18/08, 47-0.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Fairley, Hatfield, Hobbs, Honeyford, Keiser, Kohl-Welles, Parlette, Rasmussen, Regala, Roach, Rockefeller and Schoesler.

Staff: Dianne Criswell (786-7433)

Background: The state imposes a tax on the sale, use, consumption, handling, possession, or distribution of cigarettes. The rate of the cigarette tax is 202.5 cents per pack of 20 cigarettes, which equals \$20.25 per carton. Cigarette taxes are added directly to the price of these goods before sales tax is applied. The state sales tax rate is 6.5 percent of the selling price. Local governments may levy additional sales taxes. The combined state and local rate varies from 7 percent to 8.9 percent, depending on the location. Sales tax on an average carton of cigarettes is about \$4.00.

Under federal law, the cigarette tax and sales and use taxes do not apply to cigarettes sold on an Indian reservation to an enrolled tribal member for personal consumption. However, sales made by tribal cigarette retailers to non-tribal members are subject to the taxes.

Beginning in 2001, the Legislature authorized the Governor to negotiate and enter into cigarette tax contracts with certain named federally recognized tribes located in Washington. Contracts must be for renewable periods of eight years or less. Cigarettes sold on Indian lands under these contracts are subject to a tribal cigarette tax and are exempt from state cigarette and sales and use taxes. The tribal cigarette tax must equal 100 percent of the cigarette tax and

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

sales and use taxes. The rate may be phased in over three years, but can be no lower than 80 percent of the state cigarette and sales tax rate.

A cigarette contract must:

- limit tribal retailing to sales of cigarettes by tribes or Indians in Indian country; prevent sales to any person under the age of 18 years;
- require that the tribal cigarette tax be used for essential government services; require the use of tribal cigarette tax stamps;
- include provisions for tax compliance;
- require that tribal retailers purchase cigarettes only from approved sources; and
- include a procedure for correcting violations of the contract and provision for termination of the contract should violations not be resolved.

Since 2001, RCW 43.06.460 has been amended and currently lists 27 tribes with which the Governor may contract. RCW 43.06.465 separately authorizes the Governor to enter into a contract with the Puyallup Tribe. Of the 28 tribes eligible under these sections, 21 tribes have signed cigarette contracts with the state.

Summary of Bill: Authority is granted to the Governor to enter into a cigarette tax contract with the Shoalwater Bay Tribe.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: None.

Persons Testifying: No one.